

New Option for Gulf State Homeowners Insurance

Risk Management Monitor

by [Morgan O'Rourke](#) on December 8, 2009 12:17 pm

Usually when we discuss news of homeowners' insurance in Florida and other hurricane-prone areas, it is to report how yet another insurer has pulled up stakes and decided to stop writing policies in the region. But yesterday's announcement from Travelers that they will begin a [pilot program to write policies in Certain Atlantic and Gulf states](#) bucks that trend. The news came as part of an initiative to raise awareness of catastrophe preparedness that was started by [The Travelers Institute](#), a kind of think tank group created by Travelers to further the discussion of public policy topics of particular importance to the insurance community.

The pilot program brings Travelers into the homeowners' insurance market in these high-risk areas, but with an important condition — the company will be writing policies for those homes that meet specific natural disaster resistant building standards. As an added incentive, qualifying homes will be eligible for a 35% hurricane premium credit.

Eric Nelson, Travelers' vice president of personal insurance, explained that the company wants to educate consumers about the value of these standards, which include recommendations for reinforced concrete framing, wind-resistant roofs and impact-resistant glass, so that they ask for these features when building or retrofitting a home.

“Homes built to meet these stringent standards are better able to withstand severe weather, reducing property losses and saving lives, and we want to promote and raise awareness of these smarter building practices,” said Nelson. “Building stronger homes is a key principle of the Travelers Coastal Hurricane Wind Zone Plan, our proposal to improve the availability and affordability of catastrophic wind coverage in communities along the Gulf and Atlantic coasts. We hope this initiative and meaningful premium credit will encourage homeowners, builders and building officials to adopt these disaster resistant standards.”

For homeowners in high-risk areas, Travelers' program seems like a reasonable alternative to state-run pools and exorbitantly high premiums. Of course, it will take some effort (and money) to meet these fortification standards but in the end it is about managing the risk proactively, which can't be all bad. And with so many insurers choosing to leave these states, perhaps programs like this will give insurers the incentive to come back and hopefully bring lower insurance premiums with them.